



**NORTH AMERICAN BILLING
AND COLLECTION, INC.**

**Independent Accountant's Report
On Agreed-Upon Procedures
For the Year Ended June 30, 2002**

North American Billing and Collection, Inc.
80 South Jefferson Road
Whippany, NJ 07981-1027

Independent Auditor's Report on Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by North American Billing and Collection, Inc. (NBANC) and the Federal Communications Commission (FCC), solely to assist you in evaluating whether NBANC has developed and implemented effective internal controls over the billing, collection and disbursement functions performed on behalf of the North American Numbering Plan Administrator, for the year ended June 30, 2002, as required by FCC in CC Docket 92-237, *Third Report and Order*, released October 9, 1997. This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

A. Procedures surrounding contributors to North American Numbering Plan Administrator (NANP Administration Fund):

1. In relation to the controls surrounding the population of contributors, we performed the following:

We obtained the most updated FCC report "Telecommunications Provider Locator" and the NBANC master listing of carriers. We judgmentally selected 25 carriers from the FCC report and traced and agreed that the selected carriers are in the master listing without exception.

There were four carriers that were on the FCC report and not on the master listing. However, we do not believe these were exceptions as these four carriers were inactive and should not have been on the master listing, we picked additional carriers to replace these four without exceptions.

2. In relation to controls surrounding the receipt and retention of forms received from contributors:

We judgmentally selected 25 carriers from the master listing and obtained the related Telecommunications Reporting Worksheets "Form 499A" for all the selected carriers, we compared and agreed the two documents without exception.

3. In relation to the controls surrounding NBANC's procedure's for carrier's who did not respond "Non-Responders" to NBANC's correspondence requesting the Forms 499A, we performed the following:

We obtained a listing of carriers identified by NBANC as Non-Responders "The Non-Responders Listing" and the May 2001, June 2001 and July 2001 Follow Up Listing and the Non-Responders Listing sent to the FCC.

We judgmentally selected 25 carriers from the Non-Responders Listing and traced and agreed that the selected carriers from the Non-Responders Listing matched the May 2001, June 2001 and July 2001 Follow Up Listing and the Non-Responders Listing sent to the FCC, unless Non-Responders have filed their Form 499A by the time the Follow Up Listings were created. No exceptions noted.

We inquired of Management as to the existence of follow-up procedures that are performed for carriers who do not respond to NBANC's requests for carrier's Form 499A and associated payments to the fund. We obtained a copy of the written follow up procedures.

We obtained phone call documentation for the 25 selected Non-Responders, where applicable. There were 2 Non-Responders who were not called, however, these two exceptions are deemed isolated incidents. Both exceptions were for minimal dollar amounts and NBANC's written procedures state the top twenty contributors will be called within five days, and all others will be called within one year.

4. In relation to the controls surrounding the completeness of the information on the Master Listing and Forms 499A, we performed the following:

We judgmentally selected 15 (10 of the largest contributors to NANP Administration Fund and 5 others) carrier Forms 499A, and compared the information on the Form 499A for the selected 15 carriers to the Master Listing and noted no exceptions.

For the selected 15 carriers we read the Form 499A and verified that the forms 499A were complete and clerically accurate. No exceptions noted.

5. In relation to the control's surrounding the FCC's authorized contribution factor, we performed the following:

We judgmentally selected 15 (10 of the largest contributors to the NANP Administration Fund and 5 others) carriers from the Master Listing. For each of the selected carriers, we obtained the Revenue amount as included on the Master Listing (derived from Form 499A) and annualized that revenue amount.

We obtained the "Annual Contribution" from the Master Listing and divided the annual contribution by the annualized revenue calculated in the preceding step, which created a recalculated "WS+B Contribution Factor."

The "Annual Contribution" amount represents the calculation of contribution liability.

We compared the WS+B Contribution Factor to the FCC authorized Contribution Factor, and noted no exceptions.

6. In relation to the controls surrounding the Contribution Liability Calculation:

We selected 20 (10 of the largest contributors to the NANP Administration Fund and 10 others) carriers from the Master Listing and obtained the Form 499A for each of the selected carriers.

We agreed the amounts prescribed on line 420 of Form 499A "Universal Service Contribution Bases" to the Master Listing. One exception noted. This exception was of minimal dollar amount and was a result of human input error. Thus we feel this exception is an isolated incident.

We recalculated the "Billing Amount" column of the Master Listing using the amounts on Line 420 of Form 499A and FCC Authorized Contribution Factor, and noted no exceptions.

7. In relation to the controls surrounding the monthly billing process:

We judgmentally selected 2 months and obtained the "NANPA Monthly Billing" summary (the "Billing Summary") for the selected months.

We verified that the billing summary was signed as being prepared and reviewed by appropriate personnel noting no exceptions.

We judgmentally selected 10 carriers from the billing summary above and obtained the invoices for the selected carriers for the months selected above. For each invoice selected, we compared the amount billed from the Billing Schedule to the amount included on the related carrier's Calculation of Contribution, and noted no exceptions.

We agreed the FCC Filer ID, address and invoice amount from the invoice to the Master Listing, and noted no exceptions.

We obtained the "NBANC Billing, Collection, and Disbursement Schedule (the "Billing and Collection Schedule") and verified per the Billing and Collection Schedule that invoices are being mailed to carriers between the 18th and 22nd day of the month. No exceptions noted.

We inquired of Management as to the terms of the invoices sent to the carriers being billed. The inquiry provided the following 1) invoices are sent out the 20th every month, 2) payment is due the 12th day of the subsequent month.

We inquired of Management as to the decision to charge a late fee. We obtained written procedures regarding late payment charges.

8. In relation to the controls surrounding adjustments to the revenue information and the payments to other carriers as disclosed in Form 499A, which is used to calculate the carrier's contribution liability (see step 6):

We obtained all adjustments, which were made by NBANC (the "Adjustments") after August 2001.

From the adjustments, we selected 25 carriers whose revenue and payment information was adjusted, and obtained the original Form 499A together with the adjusted Form 499A.

We compared the revenue and payment information on the original Form 499A and verified that the revenue and payment information was different on the Adjusted Form 499A than the Original Form 499A. No exceptions noted.

We inquired of Management as to the process of modifying the revenue and payment information.

We inquired of Management as to whether the above procedures are in writing, and obtained a copy of the written procedures.

9. In relation to the existence of an internal performance monitoring mechanism:

We inquired of Management as to whether management has developed and implemented an internal performance monitoring mechanism as defined in Title 47 Part 52.12(d) of the FCC's Code of Federal Regulations.

We obtained a Copy of "The NECA Services Questionnaire for NBANC" and "The NBANC Evaluation." We reviewed the evaluation noting the existence of an internal performance monitoring mechanism.

10. In relation to the controls surrounding NBANC's monitoring of relationships with third party subcontractors, we performed the following:

We inquired of Management as to whether NBANC or any of its subcontractors:

Are affiliated with any provider of telecommunications services.

Had issued a majority of its debt to, or derived a majority of its revenue from, any provider of telecommunication services.

Had been influenced by any party with a vested interest.

The inquiry resulted in no exceptions.

11. In relation to the existence of excess contributions or shortages of funds:

We inquired of Management and inspected records to determine whether excess contributions or shortages of funds had occurred during the year noting no occurrences.

We obtained a listing of all refunds ("disbursements") by carrier and selected, on a high dollar basis, 25 disbursements for testing. For each disbursement selected, we recalculated the refunded amount, and obtained a copy of the cancelled check. No exceptions noted.

We verified that NBANC had no borrowings as of or during the fiscal year ended June 30, 2002.

12. In relation to controls in place to ensure that all data obtained from carriers is kept confidential and is not disclosed unless authorized by the Commission:

We inquired of Management as to specific controls in place and documented such controls.

We randomly selected three employees who provide services for NBANC, and obtained a copy of the "Agreement not to Disclose Proprietary Information" signed by the selected employees. Noting no exceptions.

13. In relation to controls surrounding the disbursement of funds to the Plan Administrator, we performed the following:

We judgmentally selected bank statements for four months, and compared the amount disbursed to the Plan Administrator per the bank statement to the monthly amount specified in the applicable FCC Order and "Recommendation to the North American Numbering Council (NANC)", noting no exceptions.

14. In relation to the controls surrounding the disbursements of funds to National Exchange Carrier Association (NECA), we performed the following:

We judgmentally selected bank statements for three months, and compared the amount disbursed to NECA per the bank statement to the monthly amount specified in the "Proposal of NECA, Inc. as Billing and Collection Agent for the North American Numbering Plan" and FCC Order, noting no exceptions.

B. Procedures surrounding physical security/information systems applications/website safeguards:

1. In relation to the controls surrounding system change controls. We performed the following:

Regarding the Master Listing, we inquired of Management, as to the nature of changes made to the Master Listing.

In relation to the controls surrounding the updating of the Master Listing, we selected two new contributors and obtained the Forms 499A for the new contributors and verified that the information listed on the Forms 499A was also included on the Master Listing and noted no exceptions.

With regard to the Clarus Billing Package, we inquired of the NBANC Information Technology ("IT") Support Manager as to the nature of changes made to Clarus, if any, no exceptions noted.

We documented dates of any module upgrades made to Clarus during the year.

2. In relation to the controls surrounding access rights to the Master Listing, and the Clarus Billing Package, which includes the NBANC General Ledger, we performed the following:

With respect to the Master Listing, we inquired of Management, as to the level of access rights associated with the data contained within the Master Listing. We obtained a listing of individuals that have access to the Master Listing and judgmentally selected two NBANC users and obtained the UserID Request Forms created to grant selected access to the Master Listing.

With respect to the Clarus Billing Package, we judgmentally selected one NBANC user with access to the Accounts Receivable module and one NBANC user with access to the General Ledger Module, and obtained the UserID Request Forms created to grant selected access to the Clarus Billing package.

With respect to the Employee Termination Processes, we reviewed the termination report maintained by IT Support, based on Human Resources e-mail notifications of employee departures, and selected an employee that had been terminated.

We accessed the LAN security software, with the assistance of the IT Support Manager, and verified that the terminated employee's account is disabled on the LAN security software.

We reviewed the LAN security software and verified that the account was not included on the list of accounts that were used to access the LAN.

In relation to the above procedures, we noted no exceptions.

3. In relation to controls over backups and disaster recovery, we performed the following:

With respect to the controls surrounding backups, we obtained the weekly backup log files. We verified that the Oracle system, Master Listing, Clarus, and General Ledger data were included in the backup files, without exception.

With respect to Disaster Recovery, we obtained a copy of the NECA Disaster Recovery Plan (the "DRP"). We verified that the plan includes all mission critical systems for the production environment, and plans are in place that all resources could be recovered in a suitable timeframe as determined by business needs.

4. In relation to integrity tools that the database administrator is using:

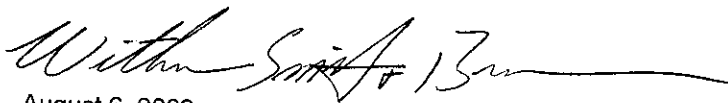
We confirmed that the database administrator is using database integrity tools to monitor the Oracle database and to prevent database corruption.

We obtained the most recent logs of database integrity checks, noting if any instances of Oracle database alerts occurred. No exceptions noted.

With the assistance of an authorized end user, we attempted to enter improperly formatted data into the system to determine the existence and effectiveness of system edit checks that prevent this data from corrupting the master database noting no exceptions.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than the specified parties.



August 6, 2002